

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

***United States Attorney
Carol C. Lam***

For Further Information, Contact:

Assistant U. S. Attorney John B. Owens (619) 557-5629

For Immediate Release

NEWS RELEASE SUMMARY - October 23, 2006

United States Attorney Carol C. Lam announced that Terry Brunning and Susan Brunning, husband and wife, were sentenced today in United States District Court in San Diego by the Honorable Napoleon A. Jones, Jr. for convictions of bankruptcy fraud and money laundering. Judge Jones sentenced Terry Brunning and Susan Brunning to serve 33 months and six months in custody, respectively. Judge Jones also ordered each defendant to serve three years of supervised release following release from prison. Terry Brunning is required to serve 120 days of his three years of supervised release in a Community Confinement Center.

According to Assistant U.S. Attorneys John Owens and Faith Devine, who prosecuted the case, the Brunnings were arrested in July 2003, in Puerto Vallarta, Mexico. The Brunnings contested extradition to the United States and, after all appeals were exhausted, were returned by the Mexican authorities in December 2005 to face charges of bankruptcy fraud and money laundering.

According to the plea agreements and court records, the Brunnings filed for bankruptcy on August 20, 2002. The Brunnings admitted that prior to filing bankruptcy, they transferred approximately \$1,000,000 to

an offshore financial institution located in the Isle of Man, Great Britain. In the bankruptcy petition, the Brunnings stated that they only had between \$0 and \$50,000 in assets. In fact, the Brunnings had more than \$1 million in domestic and offshore financial accounts (including the account in the Isle of Man), a Rolls Royce, a Jaguar, a 57-foot sailing yacht, and a promissory note worth \$155,000. These assets initially were concealed from the Bankruptcy Court trustee. When the promissory note was discovered by the Bankruptcy Trustee, Terry Brunning created a fictitious claim against the bankruptcy estate in order to obtain all or part of the proceeds from the sale of the note by the Bankruptcy Trustee.

In March 2003, at the request of the United States government, the Isle of Man law enforcement authorities obtained an order from the Isle of Man Court preventing the transfer of the \$1,000,000 located in the offshore account in the Isle of Man. The Brunnings contested the restraint of these funds and refused to turn them over to the U.S. Bankruptcy Court trustee. After three years of litigation and all appeals were exhausted, the Isle of Man Court ordered that the funds be turned over to the U.S. Bankruptcy Trustee.

The defendants pled guilty to the charges in federal court in San Diego on August 22, 2006.

United States Attorney Lam stated, "The Brunnings tried to run from their financial obligations and hide their assets, but law enforcement did not stop until they repatriated both the assets and the Brunnings."

"This case represents a true win-win," said Michael Unzueta, Special Agent in Charge for the ICE office of investigations in San Diego. "First, we shut down an illegal enterprise by cutting off the criminals' access to their illicit proceeds. Second, our agents' efforts enabled us to recover some of the money originally taken from the victims."

"IRS Special Agents will continue to utilize their expertise to uncover financial and money laundering crimes around the globe," said Kenneth Hines, Special Agent in Charge, IRS Criminal Investigation in San Diego. "If you hide your money offshore, we will find it."

Steven Katzman, the United States Trustee for Region 15, which includes San Diego, recognized the outstanding efforts of the United States Attorney's Office, the Internal Revenue Service, and the Immigration and Customs Enforcement in this case. He also stated that, "Our mission is to preserve the integrity of the bankruptcy system and concealing assets and making false statements in bankruptcy cases are serious crimes.

The convictions in this case demonstrate that such conduct, as well other crimes committed in connection with a bankruptcy case, will be aggressively pursued."

DEFENDANTS

Case Number: 03CR1744-J

Terry Linn Brunning

Susan Jennifer Brunning

SUMMARY OF CHARGES

Terry Linn Brunning

Two Counts - Bankruptcy Fraud - Title 18, United States Code, Section 152

One Count - Money Laundering - Title 18, United States Code, Section 1957

Susan Jennifer Brunning

One Count - Bankruptcy Fraud - Title 18, United States Code, Section 152

AGENCIES

Internal Revenue Service - Criminal Investigation

Immigration and Customs Enforcement, Department of Homeland Security

United States Trustee Program